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## New Zealand

## Grain and Feed

## Wheat Export Opportunity

**2007**

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**Report Highlights:**

The sharp decline in the Australian wheat export forecast for 2007 presents opportunities for the United States to export wheat to New Zealand. The New Zealand Ministry of Agriculture is in the process of revising the Import Health Standard for wheat to make it easier to understand.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Wellington [NZ1]  
[NZ]

## Wheat Export Opportunity to the New Zealand Market

There is potential for U.S. exports of wheat to New Zealand, despite strong wheat prices in the United States. New Zealand is forecast to face shortages in wheat, and to a lesser extent other grains, during 2007. This is the result of high Australian wheat prices and a large decline in Australian wheat exports forecast for 2007. With Australia accounting for 95 percent of New Zealand's wheat imports in 2006 by weight, a large decline in Australian exports has the potential to greatly affect the New Zealand industry.

It is unclear how significant New Zealand's wheat shortage will be. Many importers are closely watching the Australian market to assess what volumes and types of wheat they will need to source from alternative suppliers. Some have already organized shipments with U.S. suppliers, while others are putting this off until they are certain of the volumes they will need to import from elsewhere. The main options for New Zealand importers besides the United States are Western Australia (see explanation below) and Canada. Australia's close proximity to New Zealand relative to the United States gives it a clear advantage. High freight costs, due to New Zealand's distance from the United States, is the main factor affecting the price competitiveness of U.S. exporters. As such, only small volumes of wheat have been sporadically imported into New Zealand from the United States in the past. While there are small shipments of wheat from Canada, these are mainly specialized varieties. New Zealand's domestic production is forecast to increase only slightly, despite the forecast gap in the market. These factors create potential opportunities for U.S. exporters.

New Zealand's Wheat Production, Imports and Consumption by End Usage (Tons)		
Year	2004	2005
Domestic Production	329,776	275,723
Imports		
- Feed	100,723	131,357
- Milling	248,651	264,207
- Total Imports	349,374	395,564
Domestic Consumption		
- Feed	233,524	273,144
- Milling	445,563	398,022
- Total	679,087	671,166
Total Exports	63	121

The main reason for forecast shortages of Australian wheat and corresponding strong prices is that Australia is experiencing its fifth year of drought. FAS/Canberra has forecast that exports will decline 35 percent in 2006/07<sup>1</sup> (see AS7004<sup>2</sup>). This is the result of a forecast 50 percent decline in production. Exports may be much lower than forecast, as the inventories that kept forecast exports high have been rapidly depleted. Domestic demand is forecast to be much higher in Australia during 2007, partly due to larger numbers of cattle being finished in feedlots. This is the result of high prices for beef in Asian markets (mainly due to difficulties in getting U.S. beef back into these markets), combined with much lower grass availability caused by drought.

<sup>1</sup> Year ending October 2007

<sup>2</sup> <http://www.fas.usda.gov/gainfiles/200701/146280044.pdf>

The situation is further exacerbated for New Zealand as the Eastern states of Australia are the ones mainly affected by the drought. Western Australia, which accounts for approximately 40 percent Australia's wheat crop in a normal year, has not faced the same extremity of drought conditions as Eastern Australia. The majority of Western Australia's product is likely to be exported to premium markets such as the Middle East and North Africa. As such, the availability of wheat from East Coast ports, where New Zealand would likely import from, is likely to be even lower than national export forecasts indicate. The volume of wheat that will be shipped from Western Australia to satisfy Eastern Australian domestic and export demands is unknown. Another factor affecting New Zealand is its small market size. Despite Australia accounting for 95 percent of New Zealand's wheat imports by weight, New Zealand is only Australia's 15<sup>th</sup> largest customer, accounting for roughly 2 percent of Australia's wheat exports.

New Zealand's Wheat Imports and Consumption (Tons)						
Year	2001	2002	2003	2004	2005	2006
Domestic Production	359,940	248,333	250,897	329,776	275,723	285,163
Imports	275,397	332,659	272,890	349,374	395,564	356,071
Domestic Consumption	635,334	580,986	523,730	679,087	671,166	640,305
Exports	3	6	57	63	121	929
Imports from Australia	81%	95%	87%	94%	83%	94%

### Government Regulations on Imports

Grain imported into New Zealand must comply with two Import Health Standards (IHS)<sup>3</sup>. The first standard contains specific phytosanitary requirements for importing wheat from all countries. The second outlines the requirements for creating a Grain Import Standard (GIS), which is designed to establish biosecurity assurances so that imported grain can be cleared, transported, stored, and processed.

Wheat imported into New Zealand must be accompanied by a phytosanitary certificate stating that the shipment is free of pests and diseases. In the past this was based on International Standards for Phytosanitary Measures (ISPM) numbers 4 and 10, covering guarantees of pest free areas or pest free place of production on a regional basis. However, because the grain imported from the United States is consolidated from various regions, the Animal Plant Health Inspection Service (APHIS) is unable to issue a phytosanitary certificate if any of the pests and diseases of concern appear anywhere in the United States, unless they are under a program of official control. As an alternative to the phytosanitary certificate, New Zealand's Import Health Standard (IHS) allows shipments to be tested before they leave the United States and, if required, treated on arrival in New Zealand. However, as this alternative is not very prominent in the current IHS, the standard is being revised to make it more user-friendly. These changes are part of a major overhaul of the IHS and are expected to be completed by June 2007.

<sup>3</sup> <http://www.biosecurity.govt.nz/commercial-imports/import-health-standards/search>